



Richard Hyman

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A Small Crisis in Germany?

Where Was the Working Class? Revolution in Eastern Germany, by Linda Fuller.
Champaign: University of Illinois Press, 1999, 242 pp. \$44.95 (cloth), \$19.95 (paper).

Social Partnership at Work: Workplace Relations in Post-Unification Germany, by Carola M. Frege. London: Routledge, 1999, 256 pp. £55.00.

The Brave New World of European Labor: European Trade Unions at the Millennium, edited by Andrew Martin and George Ross. New York: Berghahn, 1999, 416 pp.

Bündnis für Arbeit: Konstruktion, Kritik, Karriere, edited by Hans-Jürgen Arlt and Sabine Nehls. Opladen: Westdeutscher Verlag, 1999, pp. 312. DM49.80.

Until a decade ago, the processes of industrial relations in Germany were widely regarded as a model of success: the basis of a virtuous circle in which coordinated sectoral collective bargaining, workplace codetermination, innovative manufacturing and a skilled workforce were the basis for competitive effectiveness and high and rising living standards. By the 1990s, when most external observers still admired the German model, critical voices within the country were becoming increasingly strident. In an era when national economic regimes tended to reflect a choice between low-cost standardized production for mass markets and high-quality diversified production for niche markets, Germany seemed to demonstrate that even a relatively large nation could succeed in the latter. But the Japanese model of computerization and lean production appeared to demonstrate that it was possible, and necessary, to compete on both quality and price. Germany now seemed handicapped by high wages and a generous welfare state funded by substantial payroll taxation. At the same time, the institutions of codetermination which facilitated incremental innovation within the established industrial system seemed to inhibit more radical and systemic transformation. Many employers and politicians argued that Germany was no longer an attractive *Standort* or location for production and investment. De-industrialization, far less significant in Germany in the 1980s than in most other European countries, proceeded apace in the 1990s; and unemployment increased rapidly.

German unification, in one sense a reflection of the superior economic performance of West Germany – making it so attractive a beacon to the far poorer citizens of the East – exacerbated the problems. The political euphoria which followed the collapse of the Berlin wall quickly gave way to a recognition of the massive challenge of absorbing an underdeveloped economy (with a population, it is true, only a quarter of that in the west) with outdated technology and in many cases environmentally intolerable production methods. The introduction of the *Deutschmark* and the loss of traditional markets in the former Soviet bloc resulted in the collapse of much of East German industry. The size of the economic subsidies and transfers from west to east in the early 1990s dwarfed the whole exercise of Marshall aid four decades earlier. (It is said that a delegation of South Koreans, visiting Germany at the time, declared afterwards that they were still in favour of the unification of their own country – in another 30 years.) At first the massive rise in public expenditure had an expansionary effect in the west, but the ‘solidarity tax’ introduced to support unification and the restrictive monetary policies adopted by the *Bundesbank* had the reverse effect; unemployment rose in the west to some 10%, and to double this figure in much of the east.

The four works considered in this review span the experience of the decade from the fall of the wall. The first two focus specifically on experience in the east; the third is a general survey of European trade unionism, but I concentrate on its discussion of Germany; the fourth documents the current attempt to resolve the unemployment crisis through a tripartite ‘alliance for jobs’.

A central puzzle – and for many participants and observers, a major tragedy – of the events of 1990 was the fate of the opposition movements which had first challenged the East

German regime. Many of the courageous activists who established citizens' groups in 1989 were inspired by a vision of a humane, genuinely democratic but socialist East Germany; their aim was to rebuild their own country, not to yield to the embrace of big brother in the west. *Verkauft nicht die ganze bankrotte Firma* – don't sell off the whole bankrupt business – was Wolf Biermann's plea in a song of the time. But in the first free elections of March 1990, the voters opted massively for the newly implanted western parties, giving a clear majority to the Christian Democrats with their commitment to unification; *Neues Forum*, the most prominent of the earlier opposition groups, gained a pathetic 3 percent.

Linda Fuller explains this outcome on the basis of her own visits and interviews during the years 1988-1990. Her argument is a simple one: within East Germany there was a radical polarity between ordinary workers and those she classifies as the intelligentsia. The latter encompassed not only the state and party leadership but also factory managers, teachers and doctors, journalists and artists. All had in common a higher education, superior income, a privileged life-style including access to western goods, and the capacity to transmit these benefits to their children: or at least were perceived in these terms by ordinary workers. Fuller explores the 'everyday worlds' of work and life and the ways in which day-to-day experience reinforced a distance, and often hostility, towards the intelligentsia. She argues that the opposition movements of 1989 were essentially the initiative of intellectuals, who for the most part made little effort to involve workers in their organizations. Most workers were, at best, passive participants in the revolutionary transformation of their country.

Fuller's account gives eloquent voice to those who shared with her their experiences under the old regime; she writes vividly and develops an argument which in general I find persuasive. I do have some reservations, however. My own, much more limited experience of talking to workers and intellectuals at the time is that the mutual distrusts and incomprehension she describes were not the whole story, that there were many workers who shared the aspirations of the opposition groups. And indeed Fuller partly concedes this, but in a way I find unhelpful. Having in one chapter analysed the official trade unions as creatures of the regime, committed primarily to the battle for production, controlled by management and valued by workers only as welfare and travel agencies, she devotes another chapter to a 'second look' which revises this assessment. There was in fact space at work-group level for a different form of collectivism, within the framework of the official institutions, which was 'combative, worker-grounded, and independent'; and this provided a school for the minority of workers who did become involved in the political opposition. This, it seems to me, points to the *contradictory* character of some of the institutions and processes which Fuller examines; greater stress on contradiction as an analytical principle might reinforce her somewhat despairing final aspirations for the involvement of workers in 'meaningful social change'.

Methodologically, Fuller starts her book by insisting that she is 'much more interested in what people actually do than in what they think, believe, feel or write'. I am not sure if this principle actually informs her account, and it is certainly not the approach of Carola Frege. She picks up the story a couple of years on. With unification, the institutions of west German industrial relations were transferred to the east: works councils were elected, and the membership of the eastern unions (now under new leadership) transferred en masse to their western counterparts. For a time – and against general expectations – the rate of unionization in the east remained much higher than in the west, but this proved temporary; with massive job losses and a continuing (though far narrower) gap between wages and conditions in east and west, the bulk of the new members were lost.

Much of the German literature of the 1990s argued that the transplantation of western unions was a failure: that east German workers had acquired a passivity and scepticism towards representative institutions which resulted in weak trade unionism and ineffectual works councils. Frege contests this. Her own research, undertaken in 1993-94, examined evolving industrial relations in the clothing industry – a sector largely neglected by academic authors. While her work involved interviews with union officials and one intensive company case study, her main information comes from a large-scale survey of union members and

works councillors in both east and west. What emerges is ‘an astonishing level of collectivist attitudes among the east German membership which was similar to that of their western colleagues’. In some respects the east Germans had higher expectations of their union and their works councils than had workers in the west, and were thus more critical of perceived deficiencies. But in general, the responses were marked by similarity rather than difference across the old divide.

Frege’s book is based on her PhD thesis, and the apparatus of scholarship makes at times for a heavy read. The main theoretical orientation is social-psychological, with factor analysis used to address different motivational models of participation. There is little of the smell of everyday working life which pervades Fuller’s book, and the methodology makes it difficult to explore directly the functioning of industrial relations institutions. The case study offers intriguing glimpses of the tension between effective interest representation and cooperative relations with management – both of which Frege defines as necessary conditions of a functioning works council (why?); but this contradiction, which in hard times creates strategic dilemmas for unions across the world, is not confronted head on.

Such an exercise is central to the collection edited by Andrew Martin and George Ross: an important text for anyone interested in European labour movements – or more generally, in how workers and their unions can respond to severe political and economic challenges. In addition to an editorial introduction and conclusion there are chapters on Britain, France, Germany, Italy, Spain and Sweden, as well as on developments at the level of the European Union. For the purposes of this review I confine my attention to the chapter on Germany by Stephen Silvia, and the more general comparative perspective offered by the editors.

Silvia’s chapter is entitled ‘Every Which Way But Loose’. I confess I have no idea what this means, but American is a strange language.... His focus is on the growing uncertainties in German industrial relations as the 1990s unfolded. Both unions and employers’ associations have suffered significant membership losses; the latter in particular have been affected by a rank-and-file revolt on the part of the small-business sector, which has forced them to stiffen their position in negotiations. But despite threats and challenges, the basic architecture of collective bargaining at sectoral level remains largely intact; and despite growing political pressures for the weakening of labour market regulation and for cutbacks in the welfare state, unions have retained considerable policy influence. The trend has been an attrition, or ‘hollowing out’, of the German model rather than its collapse. Hence unions have not faced the type of crisis which has forced some labour movements to reassess fundamentally their aims, organization and methods. On the contrary, in Silvia’s view they have shown an ‘internal immobilism [that has] become increasingly debilitating’.

One key problem for German unionism is that its membership profile reflects the labour force of the 1950s: male, manual manufacturing workers (with another stronghold in the public sector). Women and white-collar workers are seriously underrepresented, recruitment of younger workers is a disaster area, the expanding peripheral workforce in the secondary labour market is virtually untouched. The same is largely true of the new skilled occupations of the electronic age, rather than the old skills of mechanical production. For much of the 1990s there was supposedly a ‘debate for the future’ within the movement, but its conduct was bureaucratic and unimaginative and its outcome inconclusive. The main organizational changes have been a series of cost-cutting exercises (which make effective representation more difficult) and a number of mergers without any clear sense of underlying purpose. For most of the decade, the main policy objective, driven by the giant metal union *IG Metall*, was for further working time reductions. This was presented as a means of spreading work to the benefit of the unemployed; but as Silvia argues, the main practical implication was to increase hourly pay for union members and – when linked to rationalization measures – to stabilize the employment of those already holding jobs. As the editors conclude in their overall survey, German unions (together with those in France) stand out in Europe for their lack of strategic innovation.

There is however one important initiative to be mentioned. At the 1996 *IG Metall* conference the union's leader, Klaus Zwickel, made an unexpected proposal for an 'alliance for jobs' (*Bündnis für Arbeit*): the union would accept an increase in the next pay round no higher than the rate of inflation, if the employers agreed to specified targets for job creation and apprenticeship places, and if the government withdrew its proposed cuts in welfare benefits. There was a brief but unsuccessful attempt to negotiate such a pact, and the unions turned to campaigning for a change of government in the September 1998 elections. Silvia's account ends with the victory of the red-green coalition under Gerhard Schröder, and the appointment of the *IG Metall* deputy Walter Riester as labour minister charged with relaunching the jobs alliance.

The collection edited by Hans-Jürgen Arlt and Sabine Nehls gives an overview of the first year of the attempt. It contains documentation together with commentaries by Schröder himself and other politicians, by union and employer representatives, and by a range of academic analysts. Four points emerge relatively clearly. First, all three parties to what is now ponderously called the alliance for jobs, training and competitiveness are anxious that whether or not it succeeds they should not be blamed for its failure. Second, the government has no clear vision of the outcome – which is symptomatic of a more general vacuum of policy – and hopes that the other participants will find a solution. Third, the employers have a clear agenda: they want tax cuts for business and they want wage restraint. Most unions (despite reservations by the metalworkers) have signed up to the first; and while rejecting any formal incomes policy as an infringement of free collective bargaining, they have agreed that bargaining policies should support job creation and should be 'reliable'. Fourth, there is little clear agreement on the union side on how to tackle unemployment. Some argue that an expansionary macroeconomic policy can deliver employment growth while also being consistent with generous pay increases; but if the neo-Keynesian option was ever available, the fall of Oskar Lafontaine shows that this is now a non-option.

In one of the most withering contributions to the volume, Wolfgang Streeck denounces the lack of vision on the union side. The main recipe to combat unemployment is to encourage job-splitting and early retirement. Yet this is to assume that the demand for labour is fixed and can only be redistributed: unions are pursuing an 'alliance for pensions' rather than for jobs. Streeck's plea is for an expansion of employment in the service sector, which is far less developed in Germany than in otherwise comparable countries. But, he argues, given the low productivity of much service work compared to manufacturing, this would be possible only with a differential tax regime, a more flexible institutionalization of the employment relationship than that developed in Fordist manufacturing, and wage determination which takes account of productivity differences. This proposal is a frontal challenge to the established principles of German trade unionism; and while Streeck insists that he is not advocating the creation of a 'low-wage sector', his slogan that '(almost) any job is better than none' invites such a reaction. Would the fifth-rate jobs which help damp unemployment in the USA be socially tolerable in Germany? The key issue is *how much* flexibility and differentiation is acceptable without undermining the principles which support a civilized industrial relations regime. This is a question which few analysts and even fewer trade unionists in Germany (and not only in Germany) have been willing and able to address. If the trends of the 1990s continue, sooner or later they may be forced to.

Richard Hyman
University of Warwick